

# ARIZONA'S WORKFORCE

A press release from the Arizona Dept. Of Economic Security, Research Administration



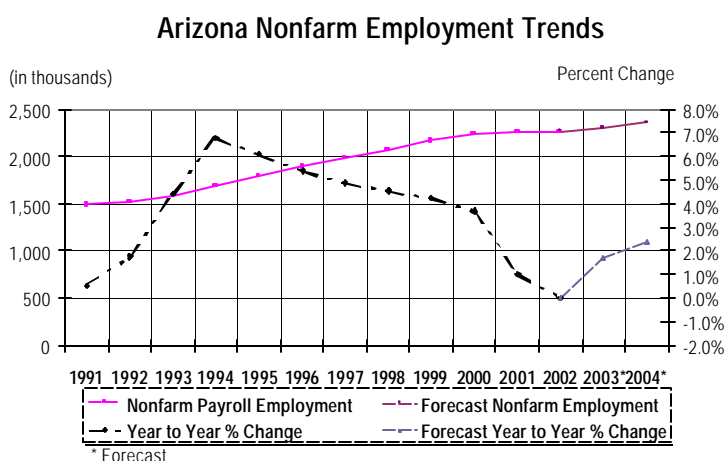
March 27, 2003

## Arizona's Economy is Forecast to Add Jobs in Each of the Next Two Years

*Special note: Research Administration presents for the first time figures according to the North American Industrial Classification System (NAICS). This format permanently replaces the Standard Industrial Classification (SIC) system, a format no longer supported by the U.S. Department of Labor.*

Industry level data is only available for the state of Arizona because of limited resources available for the conversion to NAICS. In the current release, data is only available at the nonfarm employment level for the metropolitan areas of Phoenix-Mesa and Tucson along with the Balance of State(BOS). Industry level data will be available at a later date for the metropolitan areas and BOS. Please contact the Research Administration with any additional questions.

Arizona's economy has been experiencing a slow and gradual recovery that began about one year ago. This recovery reached a milestone stage when it began to show over-the-year job growth in July 2002. Since then, Arizona's economy has exhibited slow, but steady



increase in the number of jobs.

According to the Department of Economic Security, Research Administration (RA), Arizona's economy is expected to continue a modest expansion over the 2003-04 period. Arizona's workforce is forecast to continue a slow but steady recovery in the next two years. Nonfarm jobs are anticipated to grow by 37,800 (or, 1.7%) in 2003 and by 54,600 (or, 2.4%) in 2004. Thus, RA forecasts that Arizona's economy will add 92,400 jobs over the two-year period.

Generally, job growth of the next two-years is expected to be driven by the service-producing cluster, forecast to grow by nearly 104,000 jobs. On the other hand, losses in manufacturing and mining are expected to constrain the goods-producing cluster. Reductions in this cluster are forecast to show a two-year decline of slightly more than 11,000 jobs.

<b>Total Nonfarm Employment</b>			
Annual Average Growth Rate*			
	2002**	2003***	2004***
Arizona	0.0%	1.7%	2.4%
Phoenix-Mesa MA	-0.4%	1.6%	2.1%
Tucson MA	-0.4%	1.2%	1.8%
Balance of State	2.2%	2.7%	4.2%

\* Based on Annual Averages  
 \*\* Benchmarked  
 \*\*\* Forecast  
 MA = Metro Area

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Construction is anticipated to show modest growth over the forecast period, though this is expected to be in the special trades sector. Building and highway construction sectors are projected to begin shrinking.

Arizona's manufacturing group is forecast to continue showing job losses over the 2003-04 forecast period. While losses are forecast to be widespread among manufacturing sectors, a slow recovery is expected as the pace of contraction slows, with the worst of the job losses having already occurred in 2002.

Mining is forecast to continue to pare jobs over the next two years. Reductions are expected to be the result of weak demand for industrial products from manufacturing, relocation of mining operations to overseas sites with lower operating costs and the replacement of workers with machinery.

Arizona's service-producing cluster is forecast add roughly 46,000 jobs in 2003 and about 57,600 in 2004. The pace of growth is expected to improve as the state economy builds inertia in concert with general improvements in national and international economies.

The information services group is projected to show the only losses among the services-producing group. However, RA expects losses will be limited to 2003 and then recovering with job gains in 2004.

Trade is anticipated to grow at an increasing pace in the 2003-04 period. RA forecasts an increase of about 20,000 jobs over this period, as job the pace in 2003 picks up to 2.5 percent and improves to nearly 3 percent in 2004. Job growth is expected in each of the sectors over this period.

### Arizona Industry Employment

Annual Average Growth Rate

	2002	2003	2004
Manufacturing	-8.8%	-4.9%	-2.3%
Natural Resources/Mining	-6.9%	-4.2%	-3.8%
Construction	-0.7%	0.6%	0.8%
Trade	0.7%	2.5%	2.9%
Trans, Warehouse/Utilities	-1.1%	1.1%	2.3%
Information	-4.3%	-2.4%	1.3%
Financial Activities	0.3%	0.9%	1.8%
Profess&Business Svcs	-1.5%	1.9%	2.8%
Education & Health Svcs	6.2%	5.5%	5.2%
Leisure & Hospitality	-0.2%	1.9%	2.4%
Other Services	1.5%	2.1%	3.3%
Government	2.8%	2.8%	2.7%

The transportation, warehousing, and public utilities is projected to add about 2,600 jobs in the 2003-04 period. This improvement over 2002 is expected to be modest in 2003, with momentum building into 2004.

Growth in education and health services group is forecast to be strong over the next two years. The pace of expansion in this group is anticipated to be in excess of 5 percent, amounting to more than 13,000 jobs, in each of the two years. Population in-migration patterns are expected to remain strong, bolstering the growth of education and health services sectors. However, the rate of expansion in health services is expected to slow because of efforts to contain rising health care costs.

Improvements are also generally expected throughout the professional and businesses services group. RA forecasts this group will experience two-year growth of about 15,000 jobs. An expanding economy is expected to provide the impetus for widespread gains of this group.

RA anticipates a turnaround for the leisure and hospitality group. Improving consumer confidence and business conditions are expected to fuel most of the cyclical gains, while seasonal

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improvements over 2002 are expected as weather patterns provide more favorable conditions in 2003. This group is forecast to add slightly more than 10,000 jobs and show growth rates averaging near 2 percent range.

Financial activities are expected to grow as the rest of the economy improves. RA forecasts call for accelerating growth in this group, from a paltry nine-tenths of one percentage point in 2003 to nearly 2 percent in 2004. Overall, this group is forecast to add roughly 4,200 jobs over the two-year period.

The other services group is forecast to add about 4,700 jobs in the next two years, averaging growth in the upper two-percent range.

Government is expected to grow at rates just below 3 percent. With public education and social services providing for the needs of an expanding population, RA forecasts growth of nearly 22,000 jobs. An increase of federal jobs is also expected, resulting from a bolstering of Homeland Security and greater demand for federal parks and recreation.

In conclusion, Arizona's recovery phase appears to be well underway. Modest signs of improvement have emerged because of the ad-

justment of industries to lower levels of demand with greater levels of efficiency to survive in price competitive markets. The recovery will continue to be sensitive to concerns about terrorism and war. Aside from any further shocks, Arizona is forecast to experience greater strength toward the second half of 2003, with economic improvement that builds momentum into 2004.

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**Next Press Briefing:** **February Employment Report** - Thursday, April, 10, 10:00a.m.,  
DES Administration Building, 1717 W. Jefferson St., Phoenix, Room 104

The Arizona Workforce (Press Release) is now on the Internet.  
<http://www.de.state.az.us/links/economic/webpage/index.html>  
Please contact our office, if you still want a faxed copy each month.

Equal Opportunity Employer/Program

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